

LINE ITEM AND BOILERPLATE SUMMARY

MICHIGAN STRATEGIC FUND

**Fiscal Year 2006-07
Public Act 345 of 2006
House Bill 5796, Article 13**

As Enacted



Mitchell E. Bean, Director

September 2006

Prepared and Compiled by:

**Richard Child, Fiscal Analyst
Kim O'Berry, Budget Assistant**

HOUSE FISCAL AGENCY GOVERNING COMMITTEE

Representatives:

Scott Hummel, Chair

Rich Brown, Vice Chair

Craig DeRoche

Dianne Byrum

Chris Ward

Mary Waters

MICHIGAN HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEE

Representatives:

Scott Hummel, Chair

John Stewart

John Pastor, Vice Chair

Shelley Taub

Daniel Acciavatti

Howard Walker

Fran Amos

Rich Brown, Minority Vice Chair

Darwin Booher

Marsha Cheeks

Jack Brandenburg

George Cushingberry, Jr.

Bruce Caswell

Lee Gonzales

Bill Caul

Morris Hood III

David Farhat

Chris Kolb

Goeff Hansen

Michael Murphy

Roger Kahn

Jim Plakas

Jerry Kooiman

Michael Sak

John Moolenaar

Alma Wheeler Smith

Rick Shaffer

Carl M. Williams

Glenn Steil, Jr.

STATE OF MICHIGAN
HOUSE OF REPRESENTATIVES



HOUSE FISCAL AGENCY

MITCHELL E. BEAN, DIRECTOR

P.O. BOX 30014 ■ LANSING, MICHIGAN 48909-7514
PHONE: (517) 373-8080 ■ FAX: (517) 373-5874
www.house.mi.gov/hfa

GOVERNING COMMITTEE

SCOTT HUMMEL, CHAIR	RICH BROWN, VICE CHAIR
CRAIG DEROCHE	DIANNE BYRUM
CHRIS WARD	MARY WATERS

September 2006

TO: Members of the Michigan House of Representatives

The House Fiscal Agency has prepared a **Line Item Summary** for each of the FY 2006-07 appropriation acts. Each **Summary** contains line-by-line detail, including the amount and purpose of each appropriation line and information regarding related boilerplate sections, for a specific appropriation act. Following the line item detail, a brief explanation of each boilerplate section in the appropriation bill is provided.

In this report, line item vetoes are presented in the following manner: appropriation amounts shown in ~~strikeout~~ are those that appear in the enrolled bill; amounts shown directly below ~~strikeout~~ amounts reflect the effect of the veto.

Line Item Summaries are available on the HFA website (www.house.mi.gov/hfa), or from Jeanne Dee, Administrative Assistant (373-8080 or jdee@house.mi.gov).

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean, Director

TABLE OF CONTENTS

MICHIGAN STRATEGIC FUND.....	1
Michigan Strategic Fund	2
BOILERPLATE SECTION INFORMATION	13

GLOSSARY: State Budget Terms

STATE BUDGET TERMS

Gross Appropriations (Gross): The total of all applicable appropriations (statutory spending authorizations) in a budget bill.

Adjusted Gross Appropriations (Adjusted Gross): The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

Lapses: Appropriation amounts that are unspent/unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

Work Project: A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years— i.e., allows funds to be spent over a period of years.

APPROPRIATION BILL TERMS

Line Item: Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes).

Boilerplate: Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports.

REVENUE SOURCES

General Fund/General Purpose (GF/GP): Unrestricted General Fund revenue available to fund any activity accounted for in the General Fund; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

State Restricted (Restricted): State revenue restricted by state law or outside restriction that is available only for specified purposes; at year-end, unused restricted revenue remains in the restricted fund.

Federal Revenue: Federal grant or matchable revenue dedicated to specific programs.

Local Revenue: Revenue from local units of government.

Private Revenue: Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, and gifts and bequests.

Interdepartmental Grant (IDG): Revenue or funds received by one state department from another state department (usually for a service provided by the receiving department).

Intradepartmental Transfer (IDT): Transfers or funds being provided from one appropriation unit to another in the same department.

MAJOR STATE FUNDS

Budget Stabilization Fund (BSF): The countercyclical economic and budget stabilization fund; also known as the "rainy day" fund.

School Aid Fund (SAF): A restricted fund; the primary funding source for K-12 schools and Intermediate School Districts (ISDs).

General Fund: The General Fund (funded from taxes and other general revenue) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.

MICHIGAN STRATEGIC FUND

The mission of the Michigan Strategic Fund (MSF), an autonomous agency transferred from DLEG to the Department of Treasury under 2005 PA 225, is to promote economic development in Michigan. The Michigan Economic Development Corporation (MEDC) is the administrative arm of the Michigan Strategic Fund, and is responsible for conducting all programs.

Full-time equated classified positions	152.0	Full-time equated (FTE) positions not in the state classified service.
Total full-time equated positions	152.0	Total number of all full-time equated positions (includes classified and unclassified). <i>Note: based on 2,088 hours for 1.0 FTE position</i>
GROSS APPROPRIATION	\$80,479,800	Total of all line item appropriations.
Total interdepartmental grants/intradepartmental transfers	78,600	Total of all funds received from other departments and transfer of funds.
ADJUSTED GROSS APPROPRIATION	\$80,401,200	Total net amount of all line item gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).
Total federal revenue	47,687,000	Total federal grant or matchable revenue.
Total local revenue	0	Total revenue from local units of government.
Total private revenue	700,000	Total private grant revenue.
Total state restricted revenue	5,000	State revenue dedicated to a specific fund (other than the General Fund); or revenue earmarked for a specific purpose.
GENERAL FUND/ GENERAL PURPOSE	\$32,009,200	The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue.

SECTION 102: MICHIGAN STRATEGIC FUND

This appropriation unit contains programs that work with existing Michigan businesses and communities to retain and expand jobs through coordination of business assistance services through interdisciplinary account management teams and other economic development services. These programs build partnerships with the local/state/federal economic development agencies and the business community to coordinate and leverage resources and improve the state's business climate.

Full-time equated classified positions	152.0	Full-time equated (FTE) positions in the state classified service.
Administration – 22.0 FTE positions	\$2,451,000	Executive office support staff, financial services, office services, human resources, external relations, strategic initiatives, and MEDC policy office. Funding Source(s): GF/GP 2,451,000 <i>Related Boilerplate Section(s): 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019</i>
HR optimization user charges	17,300	Human Resources Service Center at Department of Civil Service. Funding Source(s): GF/GP 17,300 <i>Related Boilerplate Section(s): None</i>
Job creation services – 130.0 FTE positions	17,496,000	<u>Business Development</u> : International business development, business retention/attraction activities, project management and market research. <u>Business Services</u> : Infrastructure programs (includes Community Development Block Grant); site location; account management; brownfield development; small business outreach; job training; tech zone administration, finance programs (Michigan Economic Growth Authority); Michigan Core Community administration. <u>Emerging Business Services</u> : Life Sciences Corridor Initiative; business development to targeted industries (homeland security, advanced manufacturing, life sciences); business roundtables. <u>e-MEDC</u> : Coordinate information technology and e-business efforts, customer assistance and advocacy units, export services, and ombudsman office. <u>Public Affairs</u> : Communications, marketing, events, and the Michigan Protocol Office. Funding Source(s): IDG 78,600 Federal 2,687,000 Private 700,000 Restricted 5,000 GF/GP 14,025,400 <i>Related Boilerplate Section(s): 1001, 1002, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019</i>
Michigan promotion program	5,717,500	Promote Michigan as a travel destination through television/radio advertising campaigns in neighboring states and cooperative agreements with companies and organizations; create/distribute travel publications about tourism opportunities in the state. Funding Source(s): GF/GP 5,717,500 <i>Related Boilerplate Section(s): 1003, 1004, 1006, 1007, 1010, 1011, 1018</i>

Economic development job training grants	9,798,000	<p><u>Business Response Program</u>: Employee training grants which maintain or attract permanent jobs for Michigan residents.</p> <p><u>Manufacturing Competitiveness Program</u>: Collaborative efforts which increase competitiveness of multiple companies within a grant; boilerplate requires that at least 75% of all grant funds be provided to community colleges or consortiums which include a community college as the training provider.</p> <p>Funding Source(s): GF/GP 9,798,000</p> <p><i>Related Boilerplate Section(s): 1001, 1006, 1007, 1010, 1011, 1012, 1013</i></p>
Community development block grants	45,000,000	<p>To eligible local governments for projects (public infrastructure, community/economic development, housing) that meet public works needs (water/sewer facilities, roads/bridges, public facilities) in small communities, create/retain jobs for specific private firms, and provide for housing rehabilitation; activities serve to benefit low- and moderate-income people.</p> <p>Funding Source(s): Federal 45,000,000</p> <p><i>Related Boilerplate Section(s): 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013</i></p>
GROSS APPROPRIATION	\$80,479,800	Total of all line item appropriations.
Total interdepartmental grants/intrdepartmental transfers	78,600	Total of all funds received from other departments and transfer of funds.
ADJUSTED GROSS APPROPRIATION	\$80,401,200	Total net amount of all line item gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).
Total federal revenue	47,687,000	Total federal grant or matchable revenue.
Total private revenue	700,000	Total private revenue.
Total state restricted revenue	5,000	State revenue dedicated to a specific fund (other than the General Fund); or revenue earmarked for a specific purpose.
GENERAL FUND/GENERAL PURPOSE	\$32,009,200	The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenue.

BOILERPLATE SECTION INFORMATION

Sec. 201. State Spending From State Resources and Payments to Local Units of Government

Specifies amount of state spending from state resources to be paid to local units of government.

Sec. 202. Applicability of Management and Budget Act

Makes appropriations in the act subject to the Management and Budget Act, 1984 PA 31.

Sec. 203. Definitions

Defines various acronyms appearing in the act.

Sec. 204. 1% Civil Service Charge

Allows Department of Civil Service to bill departments and agencies at the end of the first quarter for the 1% classified service payroll charge authorized by the Constitution; payments to be made by the end of the second quarter.

Sec. 205. Hiring Freeze

Prohibits DLEG from hiring new full-time state classified civil service employees and from filling vacant state classified civil service positions unless exception to the freeze is granted by state budget director.

Sec. 208. Internet Reporting Requirements

Outlines requirements regarding use of Internet to fulfill legislative reporting requirements in the act.

Sec. 209. "Buy American and Michigan" Requirements

Prohibits use of funds to purchase foreign goods or services if competitively priced and of comparable quality American goods or services are available; states preference for Michigan-business supplied goods or services.

Sec. 210. Deprived and Depressed Communities

Requires DLEG director to take all reasonable steps to ensure businesses in deprived and depressed communities compete for and perform state contracts and to encourage contractors to subcontract with certified businesses in deprived and depressed communities.

Sec. 212. Report Retention

Directs DLEG to receive and retain copies of all reports funded from appropriations in the act in accordance with federal and state short-term and long-term retention guidelines.

Sec. 213. User Fees for Information Technology

Provides appropriation for information technology services and projects be used to pay user fees to Department of Information Technology (DIT) subject to an interagency agreement between DLEG and DIT.

Sec. 214. Information Technology Work Projects

Designates information technology services and projects appropriation as a work project.

Sec. 217. Travel Expenditure Limitations

Details travel limitations and exceptions.

Sec. 219. Executive Branch Employee Communications With the Legislature

Prohibits disciplinary action against Executive employees that communicate with a legislator or legislative staff.

Sec. 1001. Economic Development Job Training (EDJT) Grants

Outlines process and establishes policies and procedures for administration of the EDJT grant program.

Sec. 1002. Michigan Growth Capital Fund

Directs MEDC to use Michigan Growth Capital Fund to develop the technology business sector in Michigan.

Sec. 1003. Travel Michigan Fees

Allows Travel Michigan program to establish and collect fees to cover cost of promotional materials requests.

Sec. 1004. "Michigan. Great Lakes. Great Times." Slogan Revenue

Allows Travel Michigan to receive and expend private revenue related to use of this copyrighted slogan and image; revenue generated is to be used to market the state as a travel destination.

Sec. 1005. Grant Reporting Requirements

Requires report to the Legislature on the recipient, amount, and purpose of each grant distributed by agency.

Sec. 1006. Program Reporting Requirements

Requires report on activities of each program administered by MSF or MEDC, including spending and FTEs.

Sec. 1007. Interlocal Agreements

Requires that any interlocal agreement entered into by MEDC and a local unit of government contain language providing that if the local unit has an arrangement with a private economic development corporation, the MEDC will work cooperatively with the private corporation.

Sec. 1008. Land Purchase Provisions

Prohibits MEDC from purchasing land or land options unless the land is in an economically distressed area or purchase is at invitation of local unit of government and economic development corporation; allows consideration of purchases where proposed use is consistent with a regional land use plan, will result in redevelopment of an economically distressed area, can be supported with existing infrastructure, and will not cause population to shift from population centers.

Sec. 1009. Prohibition on Spending for Personal Effects or Apparel Premiums and Advertising

Prohibits appropriation from being spent for premiums or advertising material involving personal effects or apparel except Travel Michigan.

Sec. 1010. Disposition of Unexpended GF/GP Funds

Requires unexpended and unencumbered GF/GP at the end of the fiscal year be disposed of in accordance with the Management and Budget Act unless carryforward authorization has otherwise been provided.

Sec. 1011. Michigan Economic Development Corporation

Directs MEDC to comply with the Freedom of Information Act and Open Meetings Act and be subject to Auditor General audits and Legislative reporting requirements.

Sec. 1012. Fundraising Activity

Prohibits MEDC staff involved in fundraising from being party to grant award or tax abatement decisions.

Sec. 1013. Repayments Under the Michigan Core Communities Fund

Provides that any repayments received from entities receiving Core Communities funding be held and applied for the same purposes.

Sec. 1014. Michigan Core Communities Fund

Outlines purposes and authorized uses of the fund, establishes policies and procedures for disseminating grants from the fund, and requires notification to the Legislature before grant distribution.

Sec. 1015. Advice and Consent Language

States legislative intent that members of the MEDC executive committee be subject to the advice and consent of the Senate.

Sec. 1016. Michigan Economic Development Corporation Audit of Job Creation Claims

Requires MEDC to work with Office of the Auditor General to audit job creation claims of firms receiving tax credits or other economic incentives.

Sec. 1017. Michigan Economic Development Corporation Employees with Salaries in Excess of \$80,000

Requires MEDC to report to the Legislature the names, job title, and duties of MEDC employees with an annual salary of \$80,000 or more by October 31, 2006.

Sec. 1018. Travel Advertising Return on Investment Study

Requires MEDC to contract with a state research university in Michigan to conduct a scientific study of the return on investment of state tourism advertising expenditures; report of study results is due September 30, 2007.

Sec. 1019. Professional Employer Organizations

Requires MEDC to recognized leased employees as meeting the test for new jobs created for purposes of granting Michigan Economic Growth Authority tax credits.

Fourth Floor, North Tower, Anderson Building
124 North Capitol Avenue, Lansing, Michigan 48933
P.O. Box 30014, Lansing, Michigan 48909-7514
Phone: 517-373-8080 FAX: 517-373-5874
www.house.mi.gov/hfa



Mitchell E. Bean, Director
Bill Fairgrieve, Deputy Director

ECONOMIC/REVENUE FORECAST ▪ TAX ANALYSIS ▪ REVENUE SHARING..... **Rebecca Ross, Senior Economist**
Jim Stansell, Economist

EDUCATION AND REGULATORY **Mary Ann Cleary, Associate Director**
Community Colleges..... Viola Bay Wild, Fiscal Analyst
Higher Education..... Kyle I. Jen, Senior Analyst
Education ▪ School Aid Mary Ann Cleary, Associate Director; Bethany Wicksall, Senior Analyst
Labor and Economic Growth..... Richard Child, Senior Analyst
Transportation William E. Hamilton, Senior Analyst

FISCAL OVERSIGHT, AUDIT AND LITIGATION **William E. Hamilton, Senior Analyst**

GENERAL GOVERNMENT **Al Valenzio, Associate Director**
Agriculture William E. Hamilton, Senior Analyst
Capital Outlay ▪ Retirement ▪ Supplementals Al Valenzio, Associate Director
Corrections..... Marilyn Peterson, Senior Analyst
Judiciary Viola Bay Wild, Fiscal Analyst
Environmental Quality ▪ Natural Resources ▪ NR Trust Fund ▪ Clean Michigan Initiative Kirk Lindquist, Senior Analyst
Attorney General ▪ Civil Rights ▪ Civil Service ▪ Executive ▪ Information Technology ▪
Legislature ▪ Lottery ▪ Auditor General ▪ Management and Budget ▪ State..... Robin Risko, Senior Analyst
Treasury Mark Wolf, Fiscal Analyst; Robin Risko, Senior Analyst
History, Arts, and Libraries Al Valenzio, Associate Director
Military and Veterans Affairs ▪ State Police Jan Wisniewski, Senior Analyst
Legislative Transfers..... Margaret Alston, Senior Analyst

HUMAN SERVICES..... **Bill Fairgrieve, Deputy Director**
Community Health: Medicaid Steve Stauff, Senior Analyst
Mental Health ▪ Substance Abuse Margaret Alston, Senior Analyst
Public Health ▪ Aging..... Susan Frey, Senior Analyst
Human Services..... Robert Schneider, Senior Analyst; Bill Fairgrieve, Deputy Director

LEGISLATIVE ANALYSIS..... **Chris Couch, Associate Director**
Edith Best, Joan Hunault, Shannan Kane, Sue Stutzky, Legislative Analysts

SUPPORT STAFF

Office Manager Sharon Risko, Administrative Assistant
Publications and Data Jeanne Dee, Administrative Assistant
Community Health ▪ Corrections ▪ Human Services ▪ Judiciary ▪ HFA Library Tumai Burris, Budget Assistant
Agriculture ▪ Community Colleges ▪ Education ▪ Higher Education ▪ School Aid ▪
Transportation ▪ Transfers ▪ HFA Internet ▪ Bill Analysis Barbara Graves, Budget Assistant
Capital Outlay ▪ Environmental Quality ▪ General Government ▪ History, Arts, & Libraries ▪
Labor and Economic Growth ▪ Military and Veterans Affairs ▪ Natural Resources ▪
Retirement ▪ State Police ▪ Supplementals..... Kim O'Berry, Budget Assistant
Facilities Coordinator Ericah Caughey, Receptionist

September 2006



House Fiscal Agency
P.O. Box 30014 ■ Lansing, MI 48909-7514
(517) 373-8080 ■ FAX (517) 373-5874
www.house.mi.gov/hfa